

January 16, 2004

Ms. Mary Cottrell, Secretary
Dept. Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: DTE 03-58

Dear Secretary Cottrell,

We are writing this letter to object to Cambridge Electric's Compliance Filing dated January 15, 2004 which we reviewed this morning. While we appreciate the fact that the Company's S2 rate proposed yesterday is less than Company's S2 rate proposed two weeks ago, the City has not received or had the opportunity to review the Cost of Service Study used by the Company, or the basis for the unbundling of the distribution rate that has been proposed by the Company.

We note the following issues regarding that compliance filing.

The Company has allocated \$188,926 or 21% of the referenced revenue requirement of \$888,300 to distribution costs. This is grossly out of line with (approximately twice the allocation in) the precedent established in DTE 98-69, in which MECO allocated only 10.66% of the total streetlight revenue requirement to distribution costs.

We request that the Company provide us with a copy of the Cost of Service Study they have used as the basis of this compliance filing, as well as answers to the following questions:

- 1) Please provide the breakdown of the \$888,926 streetlight revenue requirement into the following categories, and provide the page reference in the Cost of Service Study:

- A) Return
- B) Income Taxes
- C) Taxes Other than Income
- D) Total Operating Expenses before Tax
- E) Other

- 2) Please provide the breakdown of the Total Operating Expenses before Tax into the following categories, and the page reference in the Cost of Service Study:

- D.1) Depreciation
- D.2) Amortization
- D.3) Taxes other than Income
- D.4) Amortization of ITC
- D.5) Deferred Tax Flow Back
- D.6) Total Distribution Expenses
- D.7) Total A&G Expenses
- D.8) Total Pro Forma Expenses
- D.9) Other

- 4) Please provide the percentage of each of the above expenses (itemized in 2A thru 2E and D1 thru D9 above) allocated to distribution costs, as opposed to costs associated with account 373, in the Company's January 15, 2004 Compliance Filing.
- 5) In Ex TMB 2 in the controlling case, DTE 98-69, Mass Electric allocated the total streetlight revenue requirement between "lamp service" costs and distribution cost. How is the proposed allocation in the compliance filing in this case between "costs associated with account 373" and distribution costs, different from the allocation used by Mass Electric in the controlling case between "lamp service costs" and distribution costs?
- 6) Does the company interpret the November 28, 2003 order in this proceeding as establishing a new procedure for unbundling distribution costs from avoided streetlight costs that is different from the procedure used for unbundling distribution costs from streetlight costs established in DTE 98-69?
- 7) Please explain why the percentages allocated to distribution costs are approximately two times the percentages allocated to distribution cost by Mass Electric in DTE 98-69.

- 8) Please explain why the total kwh used as the divisor to arrive at the rate per kwh in yesterday's filing is different from the total kwh used as the divisor in your December 30 compliance filing.

Sincerely,

John Shortsleeve
Attorney for the City of Cambridge

Cc: Michael Killion, Mark Barrett, David Rozenzweig, Jack Habib, George Fernandes